

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 COME-00 H-03 FEA-02 TRSE-00

EUR-25 FRB-02 SS-20 SPC-03 MMS-03 PER-05 ABF-01 DRC-01

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TO SECSTATE WASHDC 722

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TAGS: BEXP, ETRD, APER, IZ

SUBJECT: ASSIGNMENT OF ECONOMIC/COMMERCIAL OFFICER TO BAGHDAD

1. PROMOTION OF U.S. COMMERCIAL INTERESTS IN IRAQ REQUIRES
ASSIGNMENT OF ECON/COMMERCIAL OFFICER TO USINT AT
EARLY DATE. DETAILED RATIONALE FOR ASSIGNMENT OF E/C
OFFICER PROVIDED IN LOWRIE-DJEREJIAN OFFICIAL INFORMAL OF
SEPTEMBER 29, 1973, BUT PROPOSAL SHELVED AT OUTBREAK OF
OCTOBER WAR. ADDITIONAL JUSTIFICATION, TAKING INTO ACCOUNT
EVENTS SINCE WAR: FOLLOW:

2. DESPITE FUNDAMENTAL POLITICAL DIFFERENCES WITH U.S.,
GOI INTENDS TO HONOR PRE-WAR CONTRACTS CONCLUDED WITH
U.S. FIRMS MOST IMPORTANT OF WHICH WERE BOEING'S 60 MILLION
DOLLAR CONTRACT FOR RE-EQUIPMENT OF IRAQI AIRWAYS AND BROWN
AND ROOT 122 MILLION DOLLAR CONTRACT FOR DEEP SEA OIL
TERMINAL. IN ADDITION, GOI WILL CONTINUE TO DEAL WITH
U.S. FIRMS ON STRICTLY COMPETITIVE TERMS.
THESE POINTS WERE MADE TO SENATOR ABOUREZK AND ME BY
UNDERSECRETARY OF FOREIGN MINISTRY TAQA ON JANUARY 6
(BAGHDAD 003). ONLY CAVEAT TAQA MADE WAS THAT GROWTH
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IN VOLUME OF TRADE WOULD BE LIMITED IF POLITICAL

DIFFERENCES REMAIN.

3. EVEN WITH ABOVE LIMITATION, PROSPECTS FOR U.S. EXPORTS ARE CONSIDERABLE. (U.S. EXPORTS WERE 30.2 MILLION FOR FIRST NINE MONTHS OF 1973, UP 58 PERCENT.) AFTER TEN YEARS OF ECONOMIC STAGNATION IRAQ IS GEARED FOR RAPID EXPANSION. RCC VICE CHAIRMAN SADDAM HUSSEIN HAS JUST MADE HIMSELF ECONOMIC CZAR TO INSURE THAT MAJOR PROJECTS ARE CARRIED OUT SWIFTLY (BAGHDAD 028). U.S. FIRMS ARE RESPECTED FOR ABILITY TO GET THINGS DONE AND SHOULD BE ABLE TO CAPTURE SOME OF THESE CONTRACTS.

4. IRAQ'S ABILITY TO FINANCE SUCH DEVELOPMENT IS UNQUESTIONED. WHEREAS IN JANUARY 1973 GOI ESTIMATED ITS 1974 OIL INCOME WOULD BE 1.7 BILLION DOLLARS, CURRENT ESTIMATE 4 TO 5 BILLION IF OIL PRICES REMAIN AT CURRENT LEVELS. GIVEN MODICUM OF POLITICAL STABILITY, IRAQ SHOULD EXPERIENCE OVER NEXT 10 YEARS ECONOMIC BOOM SIMILAR TO IRAN'S. WITH ABUNDANT LAND AND WATER FOR ITS 10 MILLION POPULATION, IRAQ ALSO HAS POTENTIAL TO BECOME IMPORTANT FOOD EXPORTER.

5. WHILE PROMOTION OF COMMERCIAL INTERESTS WOULD BE PRIMARY FUNCTION OF E/C OFFICER, THERE IS ALSO NEED FOR MORE DETAILED AND IN-DEPTH REPORTING ON IRAQ'S PETROLEUM INDUSTRY AND MONETARY AFFAIRS (E.G. STATE 251108 REQUESTING OIL TRADE DATA AND CA-7648 REQUESTING REPORTS ON RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS). AT PRESENT USINT HAS ONLY ADMIN/CONSULAR OFFICER WHO FULLY OCCUPIED WITH THOSE FUNCTIONS AND PO WHO DOES POLITICAL, ECONOMIC AND COMMERCIAL WORK.

6. DEPT WILL HAVE NOTED IMPROVEMENT DURING PAST TWO MONTHS OF USINT'S ACCESS TO IRAQI STATE ORGANIZATIONS WHICH WISH TO DEAL WITH U.S. SUCH AS ORGANIZATION FOR TECHNICAL AND SCIENTIFIC INSTRUMENTS, TOURISM ADMINISTRATION, AND IRAQI AIRWAYS. IN FACT, THROUGHOUT IRAQI TECHNOCRACY, THERE IS WIDE RESPECT FOR AMERICAN PRODUCTS AND IT IS POLITICAL FACTORS WHICH INHIBIT RAPID GROWTH IN U.S. EXPORTS. WHILE ACCESS TO IRAQIS WILL BE CONTINUING LIMITED OFFICIAL USE

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PROBLEM, I BELIEVE WE CAN TAKE MEASURES TO OVERCOME IT; E.G. BY ESTABLISHING COMMERCIAL OFFICE SEPARATE FROM USINT. THIS PRACTICE WORKS WELL FOR BRITISH, AUSTRIANS, FRENCH, AND OTHERS.

7. CLOSED NATURE OF IRAQI SOCIETY UNDER CURRENT REGIME MAKES COMMERCIAL SERVICES TO VISITING AMERICAN BUSINESSMEN OF SPECIAL IMPORTANCE. NUMBER OF BUSINESS VISITORS HAS

GRADUALLY RISEN DURING PAST YEAR AND WHILE NOT YET A FLOOD, IT IS EXPECTED TO CONTINUE INCREASING. REPRESENTATIVES OF VIRTUALLY ALL MAJOR U.S. BANKS HAVE ALSO VISITED IRAQ AT LEAST ONCE DURING PAST YEAR. RECENT INDICATION OF INTEREST WAS MY DECEMBER VISIT TO BEIRUT TO BRIEF AMERICAN BUSINESS REPS. MORE THAN 25 SHOWED UP FOR BRIEFING, FOLLOWED BY 14 INDIVIDUAL APPOINTMENTS IN ONE DAY.

8. IN SUMMARY, ASSIGNMENT OF E/C OFFICER IS NECESSARY IF USINT IS TO EXPLOIT FULLY OPPORTUNITIES FOR U.S. COMMERCIAL INTERESTS. WHILE THERE IS POSSIBILITY THAT OPPORTUNITIES WILL BE LIMITED IF THERE IS NO IMPROVEMENT IN MID-EAST SITUATION OR OUR OTHER POLITICAL DIFFERENCES, IRAQ'S TREMENDOUS POTENTIAL AS MARKET FAR OUTWEIGHS COST AND RISK INVOLVED. IDEALLY: MIDDLE GRADE OFFICER WITH STRONG ECON/COMM BACKGROUND AND GOOD COMMAND OF EASTERN ARABIC SHOULD BE ASSIGNED. IN ADDITION, SINCE ADMIN/CONSULAR POSITION IS JUNIOR OFFICER SLOT, E/C OFFICER WOULD BE CHARGE DURING ABSENCE OF PO.
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